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New York Chamber of  
Commerce

War lessons in thrift

[New York]

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*NOTE.—The following report, from the Committee on Finance and Currency, will be acted upon at the meeting of the Chamber of Commerce, April 3, 1919. It is not to be released for publication until Thursday, April 3rd, at noon.*

*CHARLES T. GWYNNE,  
Secretary.*

#### **WAR LESSONS IN THRIFT**

*To the Chamber of Commerce:*

Your Committee on Finance and Currency, believing that the present time is appropriate to call the subject of Thrift to the attention of the people of the country, and having given the matter careful thought and study, respectfully recommends that the Chamber of Commerce approve the following report as the Chamber's opinion on this important topic.

The needs of the Government during the war for money and supplies have greatly stimulated popular interest in Thrift. The people have been influenced by a great emergency to exercise self-denial and study economy in household and personal affairs. The ordinary motives to saving have been powerfully re-enforced by sentiments of patriotism and the desire to give all possible aid and support to our soldiers and sailors. The people have understood that it was necessary not only to save money, but to save food, clothing, materials of every kind, and labor, which were so greatly needed for war work. In short, the war experience has taught a great practical lesson in the relation of personal thrift to the national economy.

The record shows that with all the strenuous efforts to sell Liberty Bonds and War Savings Stamps, and the direct pressure brought upon individuals by the intensive campaigns, compara-

tively little money was withdrawn from savings banks for such purpose. Previous savings have not been disturbed; the great volume of subscriptions to bonds and stamps has represented new savings. A vast number of people have taken their first lesson in sustained, methodical accumulation as a result of these selling campaigns. The movement has also been encouraged and aided by many new agencies created and facilities provided for receiving subscriptions and methodically collecting the subsequent payments. This experience naturally should have permanent results in a development of the practice of systematic saving and of the desire to add to these accumulations. The hope and expectation that such would be the case has been commonly expressed, but the time has come when if the results already accomplished are to be conserved and made the basis of larger development, intelligent and energetic organization to that end should be planned.

#### DISSIPATION OF SAVINGS AND EVIL RESULTS

The point has been reached where the motive force derived from the war is failing, the temporary agencies are dropping away, the movement is losing its organization and momentum, the appeal is losing in interest, and many of the small bond-purchasers are disposing of their holdings at a loss. There are numerous signs that a disposition of the accumulations has begun. Pawn shops and loan brokers who charge in many instances exorbitant rates of interest are making loans upon many small bonds, numerous speculators are engaged in purchasing partial payment certificates at a discount, the vendors of highly speculative stocks are doing an active business exchanging them for Liberty Bonds, with promises of larger returns. The savings of thousands of workers, assets of inestimable value to society if made the foundation of future accumulations in the same hands, are slipping away. They can only be held by continuous and organized effort to persuade the owners not merely to keep them but build upon them.

This situation cannot be viewed with indifference by those who have the common welfare at heart. It is deplorable that the sacrifices which hard-working men and women have made to support their Government in time of trial should end in loss,

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disappointment, and possibly, through ignorance, in feelings of resentment and bitterness. The war is now over, bond issues will soon come to an end, and the market price is certain to recover; it will be a national misfortune if when this recovery comes the small buyers will be found to have parted with their holdings at a sacrifice and the bonds concentrated in comparatively few hands. There is an obligation upon public-spirited people to prevent this outcome so far as possible. The facts of the case will be misrepresented and misunderstood, and besides the loss of the saving themselves, and of a good start in a national Thrift Movement, the situation may be more unfavorable to such efforts in the future than it was before.

#### NEED OF SAVINGS TO SUPPORT INDUSTRY

The public need for replenishing and increasing the capital fund at this time, and its interest in securing the help of small savings by millions of our people, are manifest to every thoughtful person. The United States Government has heavy disbursements yet to make in settlement of past engagements, and will remain permanently upon a basis of expenditures much above that of before the war. It is committed to various undertakings which will require the expenditure of large sums. Furthermore, the normal development and progress of the country in many respects have been retarded by the war. The test of war-time pressure upon the railroads has shown that they are in need of vast sums of new capital to enable them to plan for handling the industrial traffic of this country in the near future. The public utilities of every kind have similar needs. The municipalities generally have suspended work upon public improvements during the war, and have much to do. Building of every description is in arrears. Enterprise has been quiescent for four years, except as it was enlisted in war industries, and cannot go forward unless accumulations of capital are at its disposal. The savings fund, the fund of current accumulations from which investments are made, is the support of all construction work and the source of employment for a great body of wage-earners. The wage-earning class contributes to its own employment by contributions to the savings fund.

#### **SAVINGS NECESSARY TO SOCIAL PROGRESS**

The desire for social betterments never has been so strong as it is at present. Indeed, that desire is so strong that it is impatient and can scarcely wait on the processes of development by which alone they can be achieved. There can be no progress in society without the accumulation of capital. More than this, society cannot even hold its own without a constant accumulation of capital, for as population grows, the conditions of obtaining a livelihood from the resources of nature, and of maintaining a given standard of comfort, naturally become more difficult. The period of cheap lands and cheap raw materials has been passing. It is only by industrial development, constantly providing labor with more effective tools, that society can even hold its own as the population multiplies. Every new implement, and every tool or building used in the production of an implement, is a form of capital, and somebody must save in order to provide it for the common service. Is it not a fair and inspiring appeal that everyone should endeavor to contribute to this capital fund, rather than be satisfied to consume during his life-time the full equivalent of his own contribution to production, with the chance of becoming before the account is closed a charge upon others?

#### **PATRIOTISM IN TIME OF PEACE**

We believe that there is not an adequate appreciation of the fact that the saving of current wealth from careless and needless consumption, and its conversion into investments which provide new facilities for production and public service, make as genuine an appeal to patriotism and public spirit as does the appeal to buy war bonds. In the latter case the object has been to support the Government in a just war to defend the liberties of the world, and our people responded with loyal devotion; in the other case, the object is to improve the industrial and social equipment, substitute machinery for hard manual labor, increase the output and cheapen the cost of the necessities and comforts desired by the people, and thus raise the standard of living. Now that the war is over, the question is whether we shall allow our patriotic zeal to wane for seeming lack of purpose, or renew it and turn it to the great peace-time need of building up our industrial and social equipment and thus improving the working and living con-

ditions of the people. Every intelligent and successful investment of capital contributes to the latter purpose, and is properly tested by the manner in which it serves this end.

#### **SAVING FOR WORLD TRADE AND DEVELOPMENT**

The United States is one of the most advanced countries of the world in the development of industrial equipment and industrial methods. Its capacity for the production of steel and machinery is approximately as great as that of all the rest of the world. There are other countries with great undeveloped resources of natural wealth, and with industrious and willing inhabitants, but lacking modern equipment and the capital to procure it. We have it within our means by supplying these undeveloped people with equipment to help them to a more abundant production of the comforts of life and higher levels of existence, at the same time creating employment for our industries. They will be able to pay us ultimately out of the resources which we help them to develop, but we must first provide them with the means of creating new wealth. This is the service of an advanced country to a backward country, the service which England, Holland, Belgium and France rendered to the United States in its earlier years, and for which they have been well repaid since. It is one of the purposes for which we should provide an investment fund. It means doing our part in advancing the civilization of the world.

The enormous exports of American products in the last four years, aggregating \$21,421,000,000, as compared with \$9,090,000,000 in the preceding four years, have created a permanent body of indebtedness owing by the nations of Europe to this country, upon which the annual interest charge alone will amount to a sum equal to our entire foreign trade balance before the war. The difficulty which these nations will experience in finding means of payment is likely to seriously interfere with sales of our products in their markets. Europe is temporarily unable to pay either in gold or goods, and yet it is in the highest degree mutually desirable that Europe shall be able to buy what it requires for the rehabilitation of its industries and that our industries shall be able to sell freely abroad while passing through the period of readjustment. This export trade can be had only by

our lending freely to enable would-be customers to buy in this market.

#### THE NEW AND HIGHER MOTIVE TO THRIFT

The motive to Thrift which has been appealed to in the past, down to the war when the patriotic motive spontaneously developed, was that of prudence, intelligent forethought for self and provision for loved ones. These are worthy incentives, and they have been a powerful influence for the development of good citizenship; but there is a broader motive even more educational and more social in its influence, and that is this desire to have some part, be it ever so small, in this construction work which carries the world forward and makes it a better world to live in. It is not only necessary, in order to provide the great volume of investments required, but in every respect desirable that the whole body of the people shall participate in these savings and investments. When a man understands how his own investment, small though it may be, is rendering a public service, he will have a better understanding of the relation of all investments to the common welfare, and of the essentially co-operative organization of society. He will see that when he converts the income from his investment into another investment, instead of spending it upon some pleasure, he is voluntarily abstaining from a personal indulgence and placing the saving where it serves a public purpose, and that to whatever extent incomes are applied in this manner they are devoted to public, and not private, uses. The common interest will thus assume larger importance in the minds of all classes, and better relations between classes will naturally result.

#### THRIFT IS WISE EXPENDITURE

It is a long-standing and popular error that a free, careless spender does more good with his money than a person who is careful of expenditures and saves money for a bank account or for investment. In the one case there is an immediate distribution which everybody can see, while in the other case the money seems to be put away selfishly for the good of the owner only. Many people do not get over the old idea that money saved is hoarded in a strong box. The pictures seen in childhood of a miser counting his gold have been largely responsible for this.

The truth is that money deposited in a savings bank and loaned by the bank to a wage-earner for the purpose of building a home is as widely distributed as money spent in personal indulgence. It is paid out to mechanics and laborers for work upon the house, and for the materials which enter into it, and circulates through all channels in the community; and finally when the house is completed there is a permanent improvement in the community which will render benefits for many years. The same principle applies to any production investment. The public has an interest that this mistaken view of expenditures shall be corrected, and that individuals shall be instructed in the mutual advantages which result from private savings that are made productive and serviceable to the community.

#### THRIFT GIVES STABILITY TO BUSINESS

The best safeguard against recurring periods of business depression is the old-fashioned provision against a rainy day. Changes are constantly going on in the business world which although beneficial upon the whole affect certain localities or branches of industry unfavorably. The ending of the war is a great boon to mankind, but the immediate effect upon industry is paralyzing. If there were reserve savings in the possession of every wage-earner, such periods of transition would be quickly passed over, because general consumption would not be sharply curtailed. Unemployment in one branch of industry would not be quickly felt in the others, and the necessary readjustments would be speedily made. It is deplorable that after a period of full employment and good wages there should be so little reserve resources to sustain the buying power of the community while necessary readjustments are made.

The mercantile interests are directly concerned in this situation. They are interested in good trade, but a regular, year-in, year-out trade is worth more to them than a business which comes in spasms of demand and depression. The retail merchant is benefited by conditions which make for general and enduring prosperity, and these conditions are best assured by steady accumulations of capital, which are always seeking an outlet in new or enlarged operations, thus taking up any slack in the labor supply and attracting more labor to the locality. An active demand for labor, active building operations, active factories running full-

time—these are the conditions which the far-sighted business man will seek to promote.

#### THE SERVICE OF THRIFT TO INDUSTRY

Employers are highly interested in the promotion of Thrift among their employees. The habit of saving usually goes with good habits of every kind, and, with the consciousness of being forehanded, tends to develop strength and balance of character and to make a man more responsible and reliable in every capacity. One of the most valuable results is in stabilizing the labor force and reducing turnover. Labor turnover in the last few years has represented a very serious waste, and its reduction is of immediate financial benefit to the employer.

A survey among 20,000 employees of an important industry, carried for a considerable period and recently reported, indicates that out of a labor turnover of 187 per cent., but four per cent. consisted of married house-holders. The industrial engineer who made this survey states that had all the employees in the plant been in this class, the labor turnover would have been virtually negligible. When it is considered that the cost of training an employee in almost any business is upward of \$50, the cash value to the employer of every device that tends toward the reduction of labor turnover is very great.

One of the first steps toward the ownership of a home, and toward the setting up of a stable family life, is a savings account, but it is not easy to develop the saving habit to the point where the accomplishment in sight supplies the stimulus for further effort. Measured by the slow progress which is made at first the acquisition of any sum worth while seems very far off, but as the sum grows and the idea of having a little available capital to take advantage of an opportunity is grasped, the resolution grows stronger.

An employer, for many years at the head of an organization of over 20,000 workmen, has stated that his employees, for whom he maintains a private savings fund, are not, except in case of illness, permitted to withdraw their savings until they have \$100 deposited. After that no restriction is required, and withdrawals are very rare and only for re-investment.

#### WILL THE BUSINESS COMMUNITY SUPPORT A THRIFT CAMPAIGN?

Any movement which seeks to enlist the interest of great numbers of people must be effectively organized in order to have any noteworthy success, and the organization must have leadership and support from those members of the community who understand the ends which are sought. If a Thrift Movement is to be developed out of the patriotic campaigns for War Savings, the business interests of the country must take hold of the situation immediately and plan for energetic and systematic action. There is grave likelihood that the present opportunity for pressing such a campaign will be neglected and pass without an adequate effort being made.

We would urge that no greater public service can be rendered than in thus encouraging Thrift and safeguarding its accumulations.

Your Committee, therefore, respectfully recommends the adoption of the following resolutions:

*Resolved*, That the Chamber of Commerce of the State of New York endorses the above report from its Committee on Finance and Currency and directs the Committee to send copies of the report to Chambers of Commerce and other like organizations throughout the country, with the suggestion that these bodies consider the advisability of creating standing Committees on Thrift; such committees to study the methods for the promotion of savings best suited to their respective localities; and with the further suggestion that the organizations addressed, place themselves in touch with other bodies which are devoting themselves to the encouragement of Thrift.

Respectfully submitted,

ALBERT H. WIGGIN, *Acting Chairman*  
JAMES S. ALEXANDER  
WILLIAM WOODWARD  
GEORGE B. CORTELYOU  
THEODORE E. BURTON

*Of the  
Committee on  
Finance and  
Currency*

NEW YORK, March 21, 1919.

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